

WASHINGTON REINVESTMENT ALLIANCE

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16 December, 1997

Cynthia L. Johnson

Director, Cash Management Policy and Planning Division

Financial Management Service

U.S. Department of the Treasury

401 14th St., SW, Room 420

Washington, DC 20227

Dear Ms. Johnson:

I am writing on behalf of the Washington Reinvestment Alliance (WRA) to express our views on the Treasury Department's proposed regulations on EFT 99 and the impact they will have on low and moderate income recipients of federal benefits. The WRA is a statewide coalition advocating for community reinvestment through regular monitoring of financial institutions. The WRA encourages banks to meet the credit and service needs of low income people and communities.

We support the Treasury Department's goal of using EFT 99 as a way to bring people who currently do not have bank accounts into the financial mainstream. The right kind of relationship with an insured depository institution can allow low income people to conduct their financial transactions safely and securely, accumulate savings and establish a credit history. However, we have some concerns that EFT 99 may work to the detriment of our constituents.

1. Waivers: there are some people for whom electronic banking and the electronic transfer of federal benefits will not work and these people must be able to continue receiving paper checks. While the provisions of the regulations allow recipients to self-certify their eligibility for waivers, some additional groups of recipients should also be made eligible for waivers. These groups include people with mental disabilities, low literacy levels, or those facing language barriers. In addition, anyone for whom direct deposit creates a financial hardship, regardless of whether or not they have a bank account or when they became eligible for federal benefits, should be able to claim a hardship waiver. These changes should be made to the final rule.

2. ETA accounts: Electronic Transfer Accounts (ETAs) will be established by the Treasury Department for recipients who do not have bank accounts. However, it is critical that costs be kept to the bare minimum or eliminated altogether by applying to these accounts some of the \$100 million annual savings the federal government anticipates as a result of implementing EFT 99. Also, recipients MUST NOT be forced to pay foreign ATM and network fees when accessing their accounts electronically.

The accounts must provide the services that recipients need to conduct their normal financial transactions such as depositing other funds into the accounts (via cash or checks) and transfers out of the account with checks or low-cost money orders, as well as electronic transfers. The points of access must be easily accessible and convenient to use. Recipients

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must be able to track their financial activity so they can monitor their accounts responsibly. Without these features, we are concerned that people will simply withdraw their benefits electronically and continue to use expensive, non-bank financial service centers such as check-cashing stores.

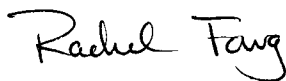
ETA account holders must have all the consumer protections available to all customers at insured depository institutions. These accounts must have customer support systems that are easy to access and enable customers to resolve disputes, replace lost cards and change PIN numbers when needed.

3. Check Cashers: We are very concerned about partnerships between insured banks and check cashers or other fringe bankers where funds are deposited into the bank but the recipients goes to the check casher for a paper check. The recipient could end up paying for opening the account and receiving and cashing the paper check, as well as for money orders electronic transfers and other services. These accounts are a bad deal for the customer and they do not provide the reasonable cost and consumer protections required by the statute establishing EFT 99.

As the Treasury Department begins its public education campaign on EFT 99, we want to remind you of the importance of the campaign informing recipients of federal benefits of all their options under the program, including the option to claim a waiver and continue to receive a paper check until ETA accounts become readily available. Unless the choices are made clear, the campaign may scare people into rushing into the kind of predatory account described above. In its efforts to increase efficiency and lower costs for the federal government, the Treasury Department must not lose sight of its responsibility to serve the best interests of those who receive federal benefits.

Thank you for this opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Rachel Fang". The signature is written in a cursive, flowing style.

Rachel Fang
WRA Coordinator